

# INVESTOR PRESENTATION

FEBRUARY 2024

# FORWARD-LOOKING INFORMATION & NON-GAAP MEASURES

## Forward-Looking Information:

This presentation contains forward-looking information about Interfor Corporation's ("Interfor" or the "Company") business outlook, objectives, plans, strategic priorities and other information that is not historical fact. A statement contains forward-looking information when the Company uses what it knows and expects today, to make a statement about the future. Statements containing forward-looking information in this presentation, include but are not limited to, statements regarding production capacity, facility restart plans and ramp-up timelines, pro-forma capacity, expected earnings and returns, pro-forma debt ratios, liquidity, borrowing capacity, regulatory approvals and other relevant factors. Readers are cautioned that actual results may vary from the forward-looking information in this presentation, and undue reliance should not be placed on such forward-looking information. Risk factors that could cause actual results to differ materially from the forward-looking information in this presentation are described in Interfor's annual Management's Discussion & Analysis under the heading "Risks and Uncertainties", which is available on [www.interfor.com](http://www.interfor.com) and under Interfor's profile on [www.sedar.com](http://www.sedar.com). Material factors and assumptions used to develop the forward-looking information in this presentation include the timing and value of proceeds received from the disposition of Coast B.C. forest tenures; availability and cost of logs; competition; currency exchange sensitivity; environment; government regulation; health and safety; Indigenous reconciliation; information technology and cyber security; labour availability; logistics availability and cost; natural and man-made disasters and climate change; price volatility; residual fibre revenue; softwood lumber trade; and tax exposures. Unless otherwise indicated, the forward-looking statements in this presentation are based on the Company's expectations at the date of this presentation. Interfor undertakes no obligation to update such forward-looking information or statements, except as required by law. The Company's independent auditor, KPMG LLP, has not audited, reviewed or performed any procedures with respect to any interim financial results and other data included in this presentation, and accordingly does not express an opinion or any other form of assurance with respect thereto.

## Non-GAAP Measures:

This presentation makes reference to certain non-GAAP measures, such as EBITDA, Adjusted EBITDA and Net debt to invested capital, which are used by the Company and certain investors to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions and reconciliations of terms can be found in Interfor's annual and quarterly Management's Discussion & Analysis which are available on [www.interfor.com](http://www.interfor.com) and under Interfor's profile on [www.sedar.com](http://www.sedar.com).

## Currency:

All financial references in this presentation are expressed in Canadian dollars, unless otherwise noted.

# INTERFOR INVESTMENT HIGHLIGHTS



## Pure-play North American lumber producer of scale

- Top three softwood lumber producer in North America, with 32 strategically located facilities
- High exposure to US South, Eastern Canada and Atlantic Canada with attractive log costs

## Compelling lumber market fundamentals

- Diversified demand across end-use segments, including housing and repair & remodel
- Supply growth constrained by availability of fibre and labour, and equipment lead times

## Top tier operating margins and returns on capital

- Industry leading EBITDA margins and returns on capital employed
- Well capitalized, high-margin portfolio of sawmills

## Growth-focused strategy

- Long-standing strategy of growth; 10-year lumber production volume CAGR of 9%
- Acquisitions since 2021 have increased production capacity by 69%

## Balanced capital allocation and optimized capital structure

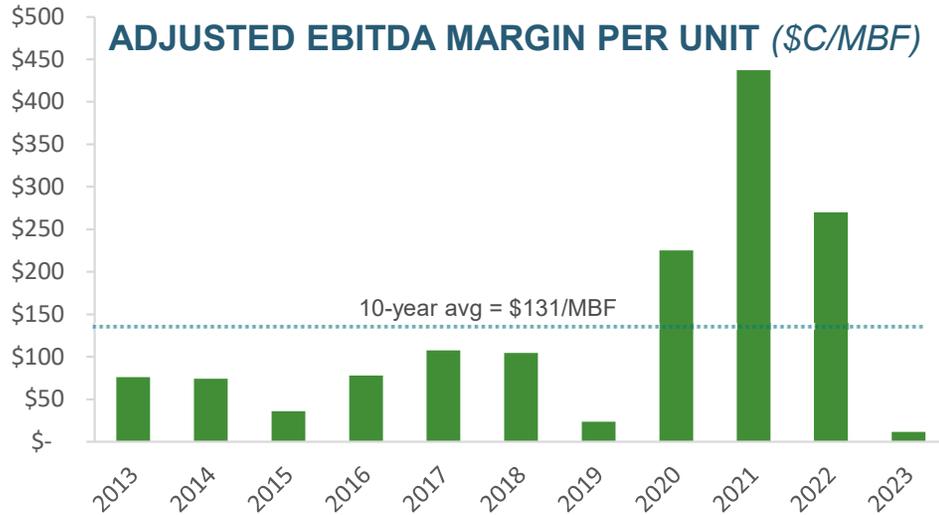
- Disciplined approach across growth capex, M&A and returns to shareholders
- Well structured balance sheet and ~\$340 Million of liquidity as of December 31, 2023

## Positive ESG and carbon story

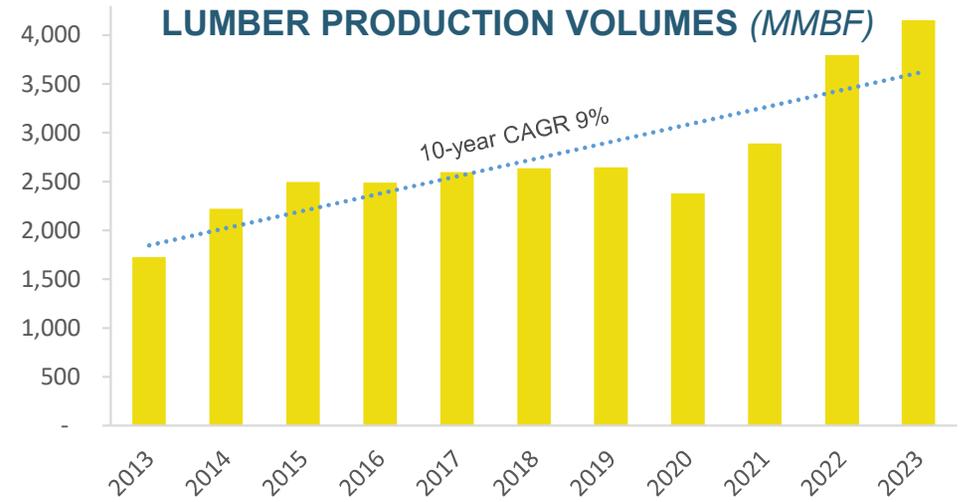
- Sustainable forest management and harvesting practices
- Lumber is a climate-friendly building product with opportunity to displace concrete/steel

# INVESTOR VALUE PROPOSITION

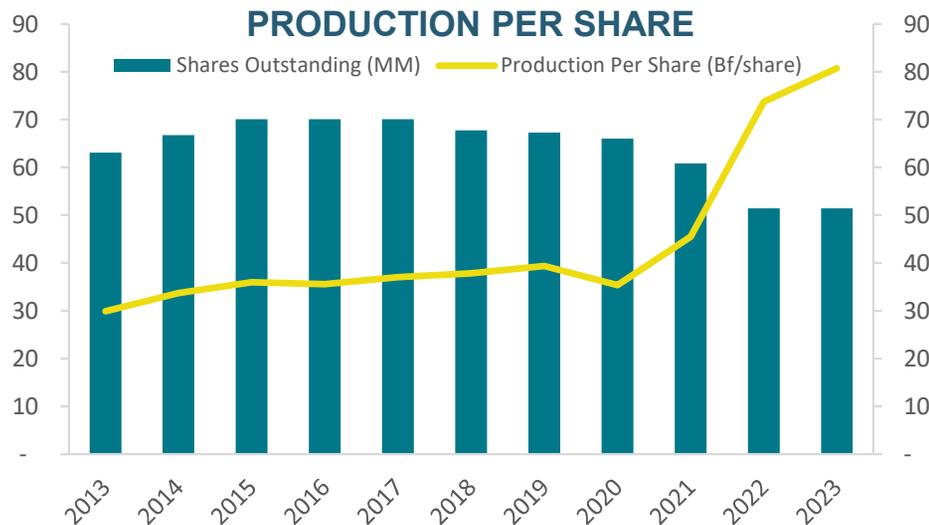
## Attractive Earnings Through the Cycle



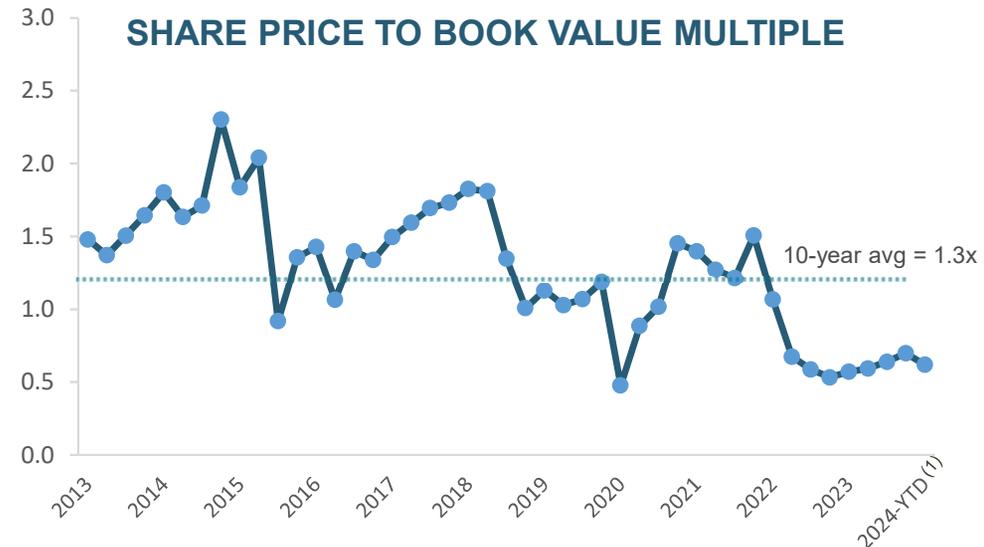
## Consistently Growing Volumes

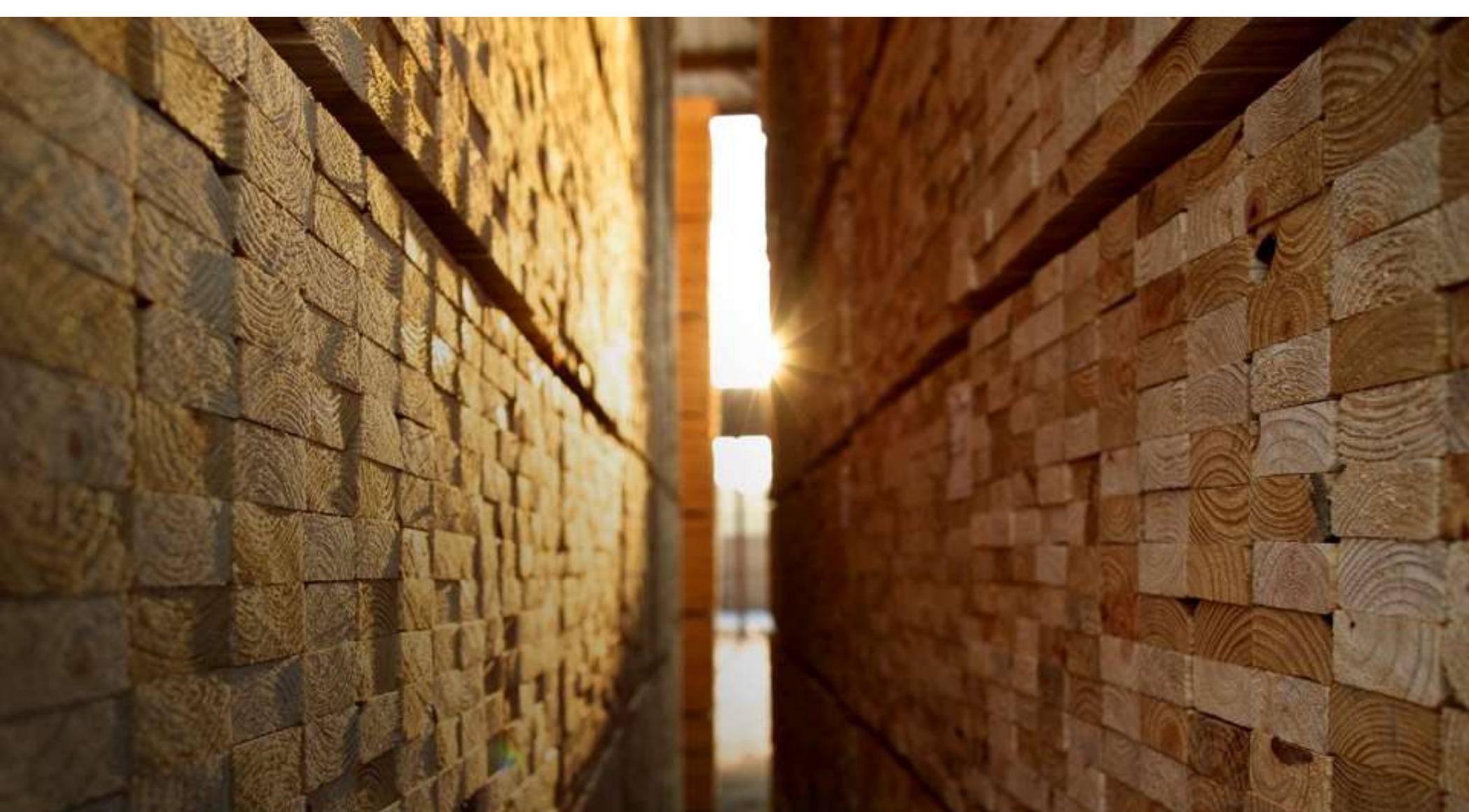


## Increasing Leverage to Production



## Attractive Valuation Metrics





# PURE-PLAY NORTH AMERICAN LUMBER PRODUCER

---

# PURE-PLAY LUMBER PRODUCER

*Interfor is a North American focused, pure-play softwood lumber producer*

## INTERFOR 2023 REVENUES BY SOURCE

### Softwood Lumber (80%)

*Dimensional lumber primarily for framing/structural applications, manufactured at Interfor's sawmill facilities*



### Other Wood Products (4%)

*Primarily I-joists - engineered wood structural members manufactured by Interfor with internally-sourced lumber flanges and externally-sourced oriented strand board web*



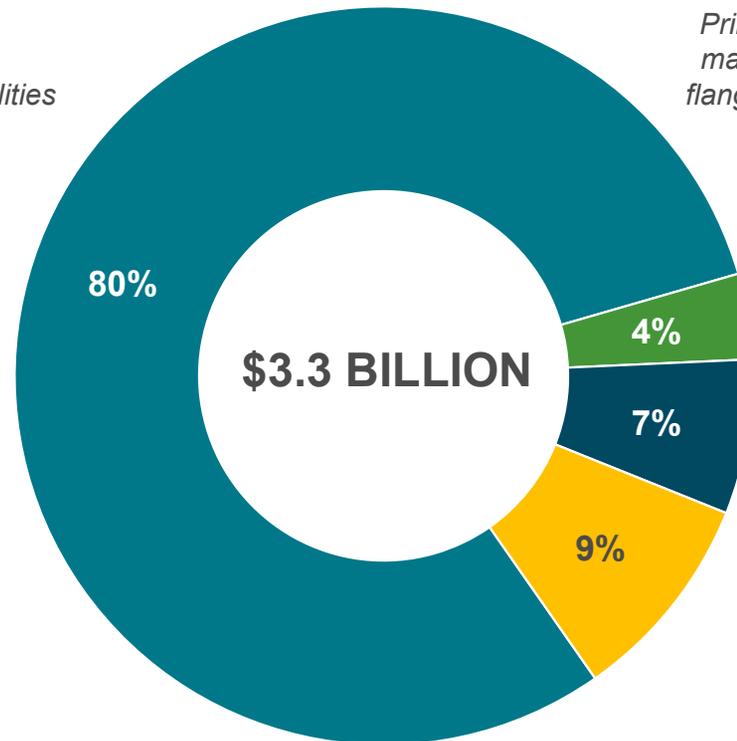
### Logs (7%)

*Logs that do not meet the criteria for processing at Interfor's facilities, due to factors such as species (e.g. hardwood) or size*



### Wood Chips & Other By-Products (9%)

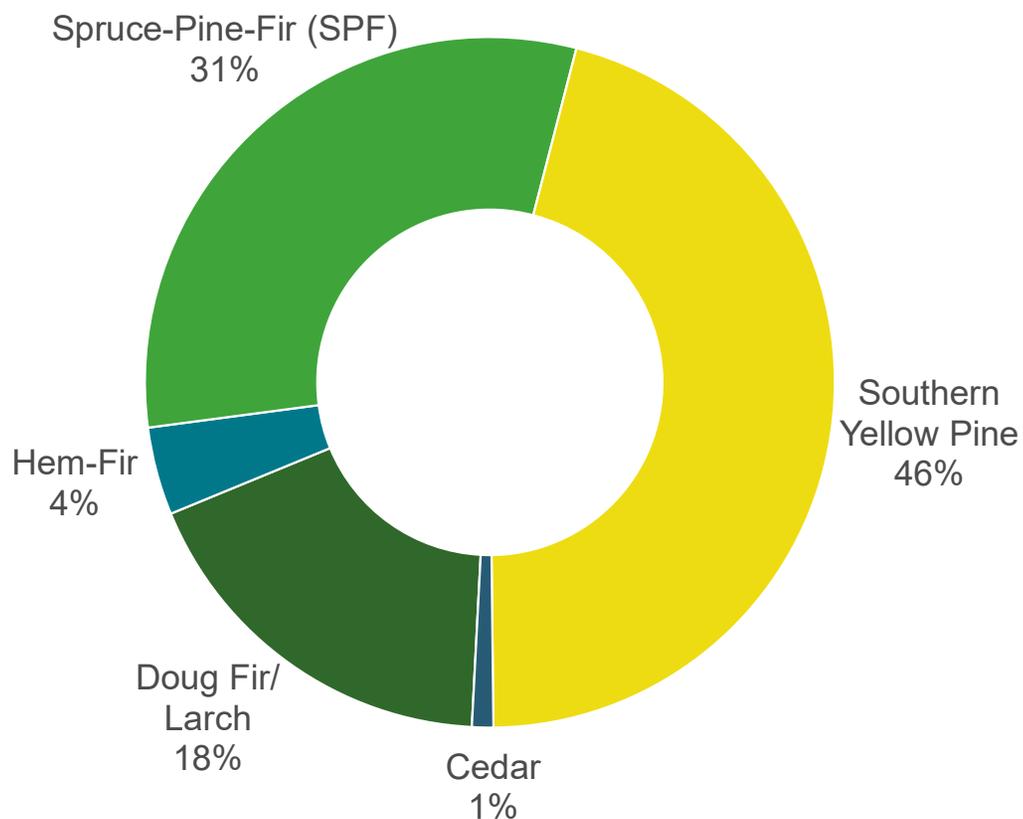
*Wood chips and other products (bark, sawdust, shavings) that are produced during the lumber manufacturing process*



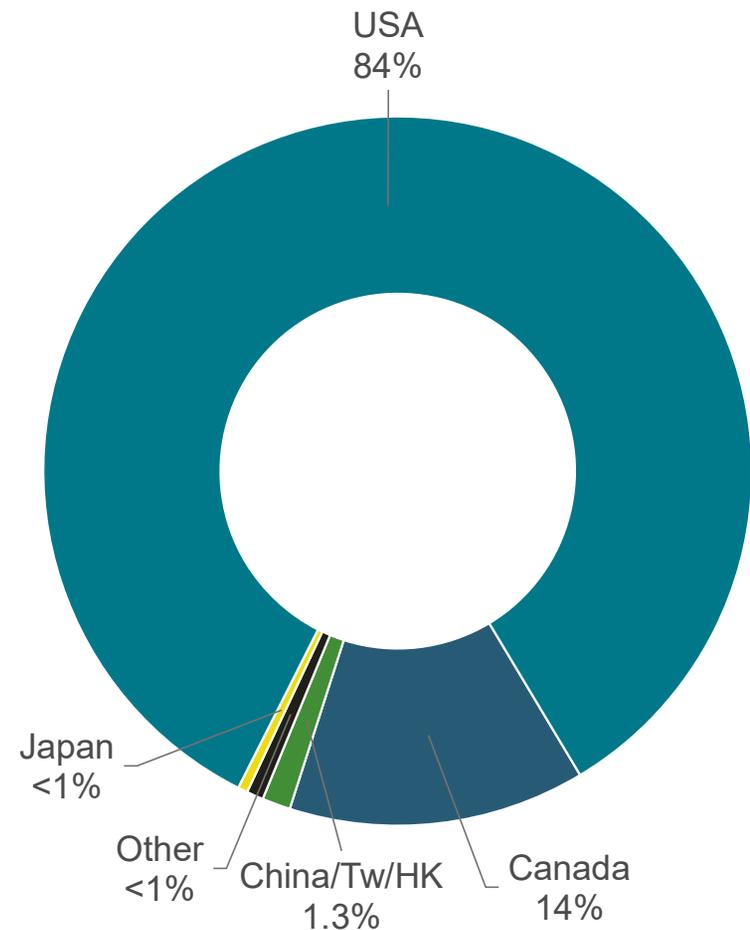
# LUMBER SPECIES & MARKETS

*Diverse lumber species mix; high leverage to key US market*

## INTERFOR LUMBER SALES BY SPECIES (1)



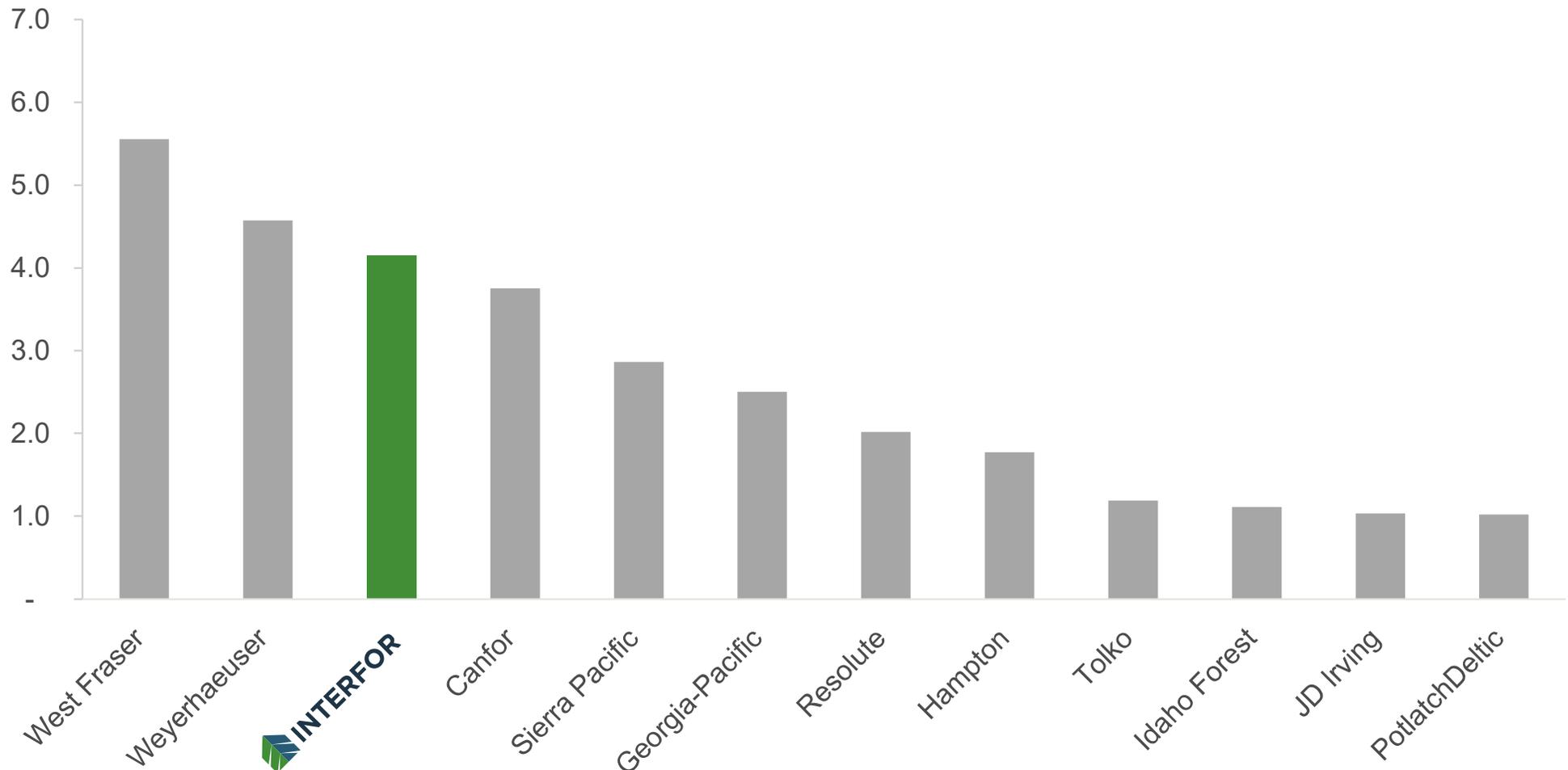
## INTERFOR LUMBER SALES BY MARKET (1)



# LUMBER INDUSTRY LANDSCAPE

*Interfor is a top three producer in North America and the only publicly traded pure-play lumber producer of scale*

## NORTH AMERICAN LUMBER PRODUCTION BY COMPANY – 2023 (BBF) <sup>(1)</sup>



Source: International Wood Markets / FEA Canada Wood Markets Monthly March 2023 / Company Reports.

(1) Reflects last twelve months ended December 31, 2023 for Interfor and Weyerhaeuser. Reflects last twelve months ended Sept 30, 2023 for West Fraser and Canfor. Reflects 2022 per FEA for all others.

# INTERFOR OPERATIONS

## BC INTERIOR

750 MMBF (14%)

- 3 dimension mills; 1 remanufacturing facility (Sumas, WA)
- Douglas-Fir, Hem-Fir, SPF, Cedar
- Efficient, modern, low-cost, well-capitalized

## US NORTHWEST

770 MMBF (15%)

- 3 stud mills; 1 dimension mill
- Douglas-Fir, Hem-Fir
- Efficient, modern, low-cost, well-capitalized

## EASTERN CANADA

985 MMBF (19%)

- 4 stud mills; 3 dimension mills; 1 I-Joist facility; 1 remanufacturing facility
- Spruce – Pine – Fir (SPF)
- Efficient, well-run, well-maintained

## ATLANTIC CANADA

350 MMBF (7%)

- 2 stud mills; woodlands management division
- Spruce – Pine – Fir (SPF)
- Efficient, modern, low-cost, well-capitalized

## US SOUTH

2,335 MMBF (45%)

- 12 dimension mills; 1 stud mill
- Southern Yellow Pine (SYP)
- Ongoing capex investment upside

**5.2 Billion board feet of lumber production capacity, with operations in all major timber baskets**



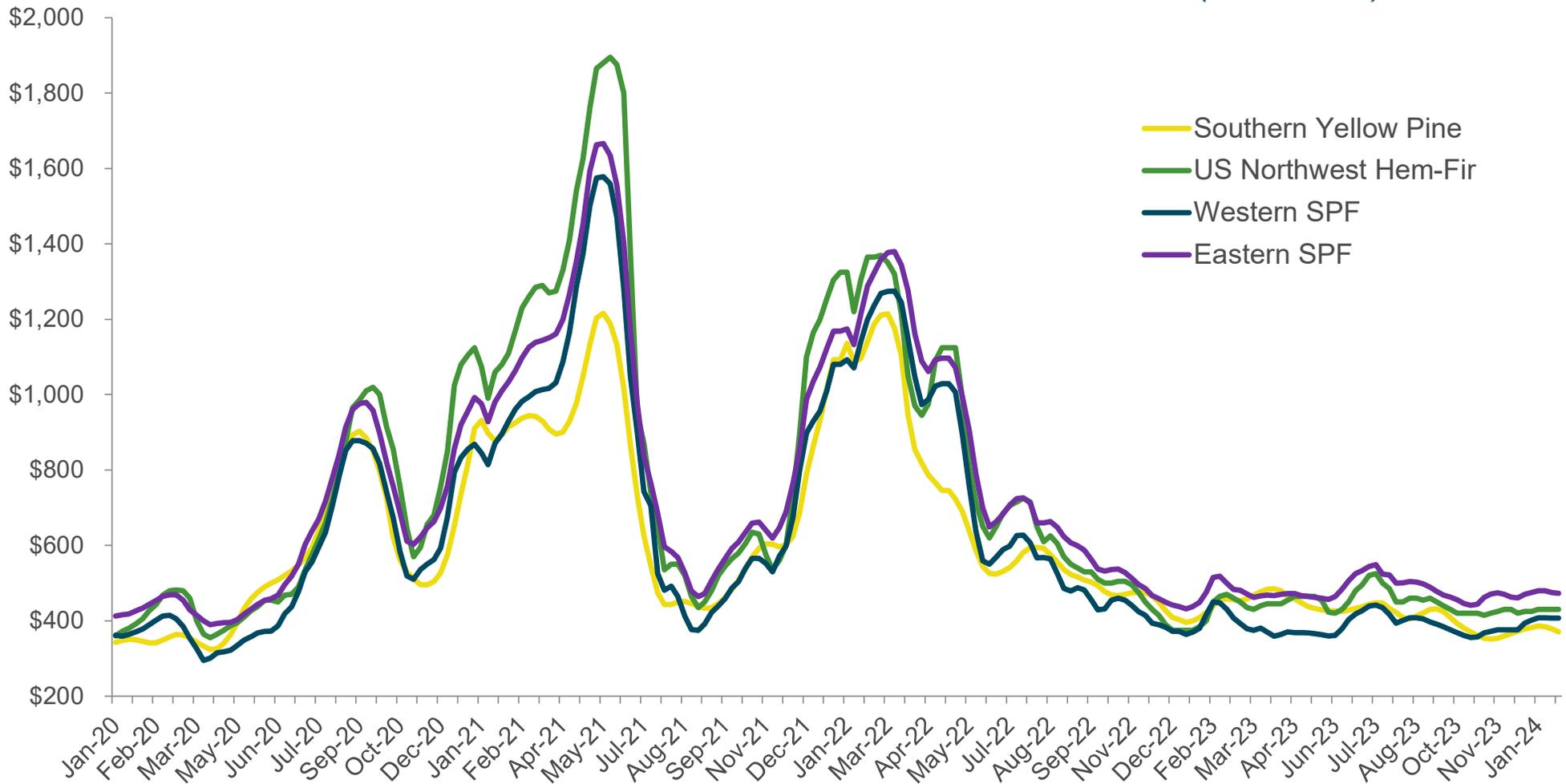
# COMPELLING LUMBER MARKET FUNDAMENTALS

---

# LUMBER PRICES

*Recent prices finding support with ongoing volatility expected near-term*

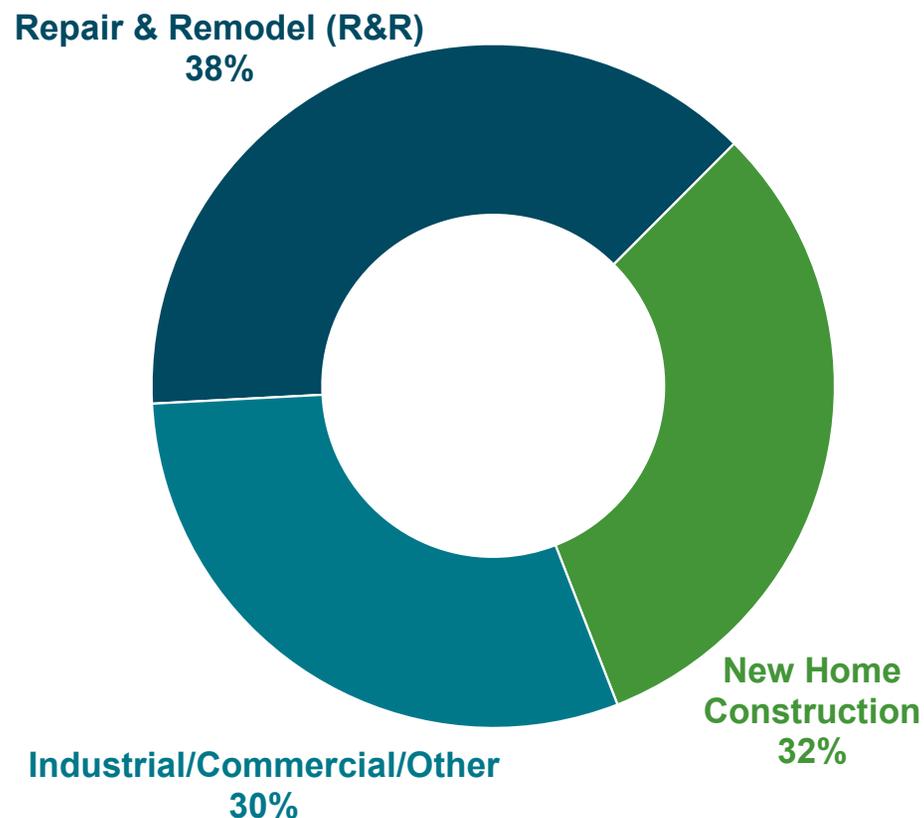
## NORTH AMERICAN BENCHMARK LUMBER PRICES (US\$/MBF)



# LUMBER DEMAND

*Diversified end-use demand drivers across R&R, industrial and housing*

## NORTH AMERICAN LUMBER DEMAND BY END-USE



## KEY DEMAND DRIVERS

### Repair & Remodel

- Housing stock > 40 years old on average
- Strong household balance sheets

### New Home Construction

- Strong fundamentals, despite near-term affordability headwind
- More than a decade of underbuilding
- Favorable demographics

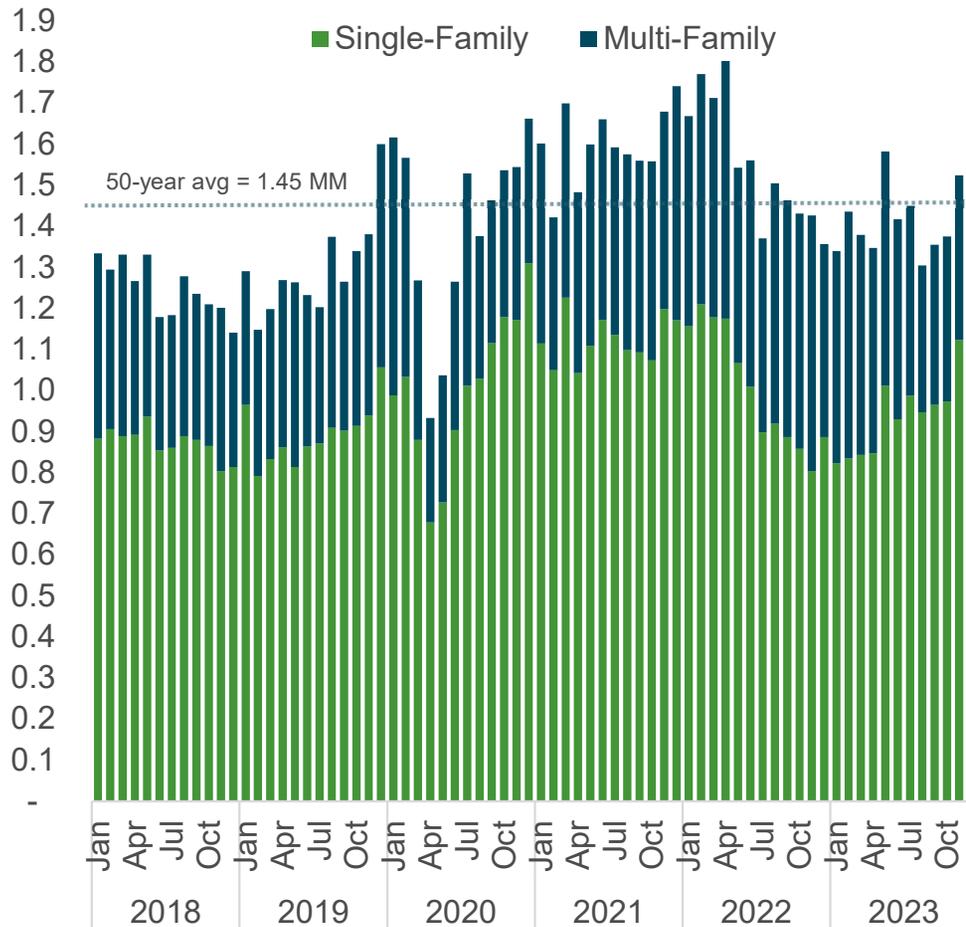
### Industrial / Commercial

- Steady demand in-line with overall economic activity

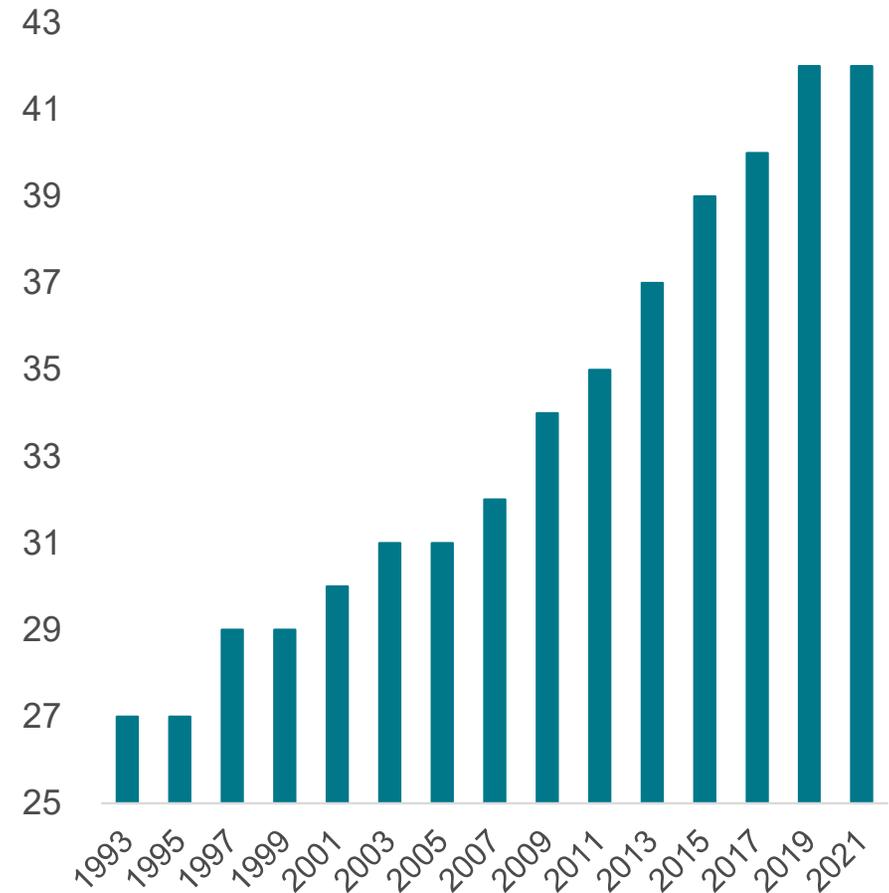
# LUMBER DEMAND: KEY DRIVERS

*Underlying housing fundamentals remain favourable, despite near-term volatility*

## US HOUSING STARTS (MILLIONS SEASONALLY ADJUSTED)



## AGE OF US HOUSING STOCK (MEDIAN AGE IN YEARS)



# LUMBER SUPPLY

**Measured supply growth in the US South, offset by ongoing declines in BC**

## NORTH AMERICAN LUMBER PRODUCTION (BBF)

	2019	2020	2021	2022	2023 <sup>(1)</sup>
US - South	19.4	20.8	20.9	22.1	22.1
US - West	14.3	14.5	14.7	14.1	13.7
US - Other	1.5	1.7	1.7	1.6	1.6
Canada – All Except BC	14.4	14.1	14.5	13.6	13.2
Canada - BC	9.7	8.9	9.2	7.9	6.8
<b>Domestic Production</b>	<b>59.2</b>	<b>60.0</b>	<b>61.0</b>	<b>59.2</b>	<b>57.2</b>
Offshore Imports	2.1	2.9	3.2	3.8	3.8
Offshore Exports	(5.0)	(3.7)	(3.4)	(2.7)	(2.7)
<b>Supply Available For NA Demand</b>	<b>56.3</b>	<b>59.2</b>	<b>60.8</b>	<b>60.3</b>	<b>58.3</b>

### US SOUTH

Measured growth (five-year CAGR of only 3%), limited by labour availability and long equipment lead times.

### US WEST & CANADA (NON-BC)

Relatively stable; good balance between available timber supply and manufacturing capacity.

### BRITISH COLUMBIA (BC)

Ongoing permanent reductions due to impacts of Mountain Pine Beetle forest infestation (>40% decline in production since 2018).

### OFFSHORE IMPORTS

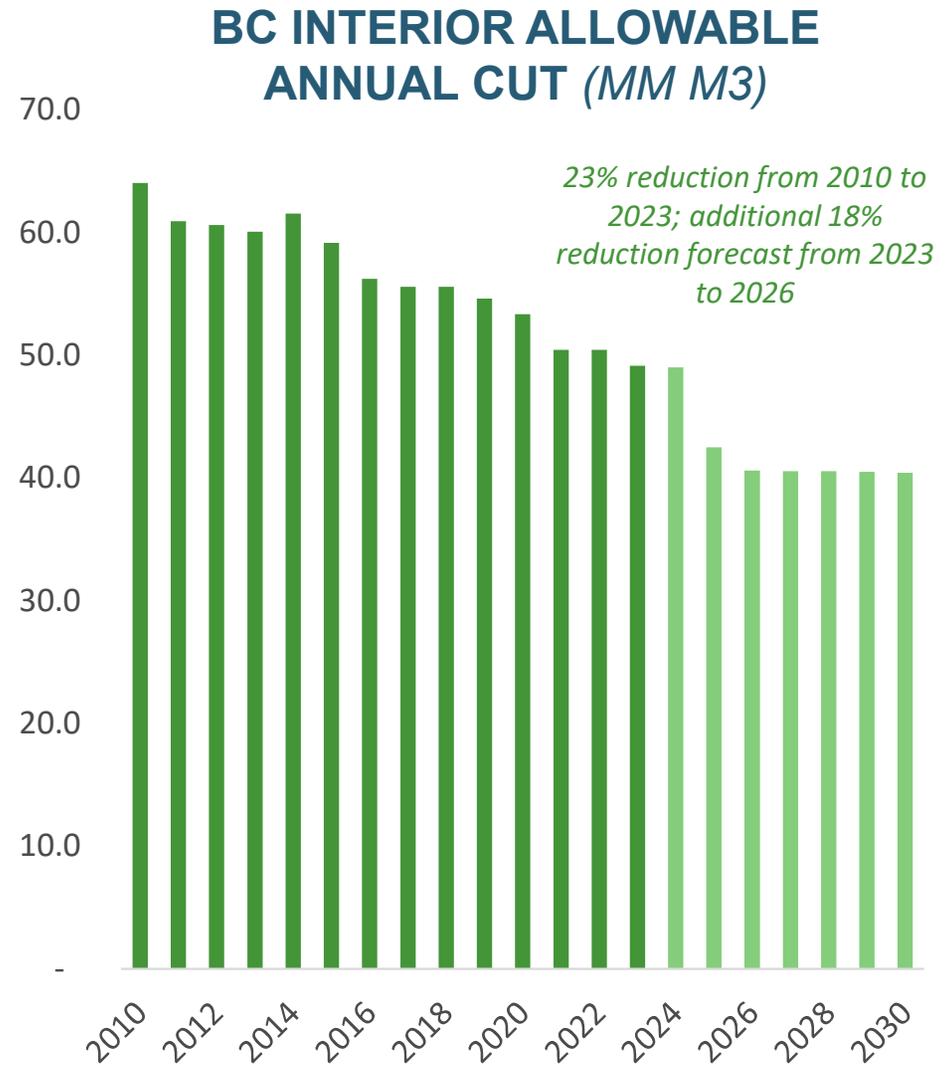
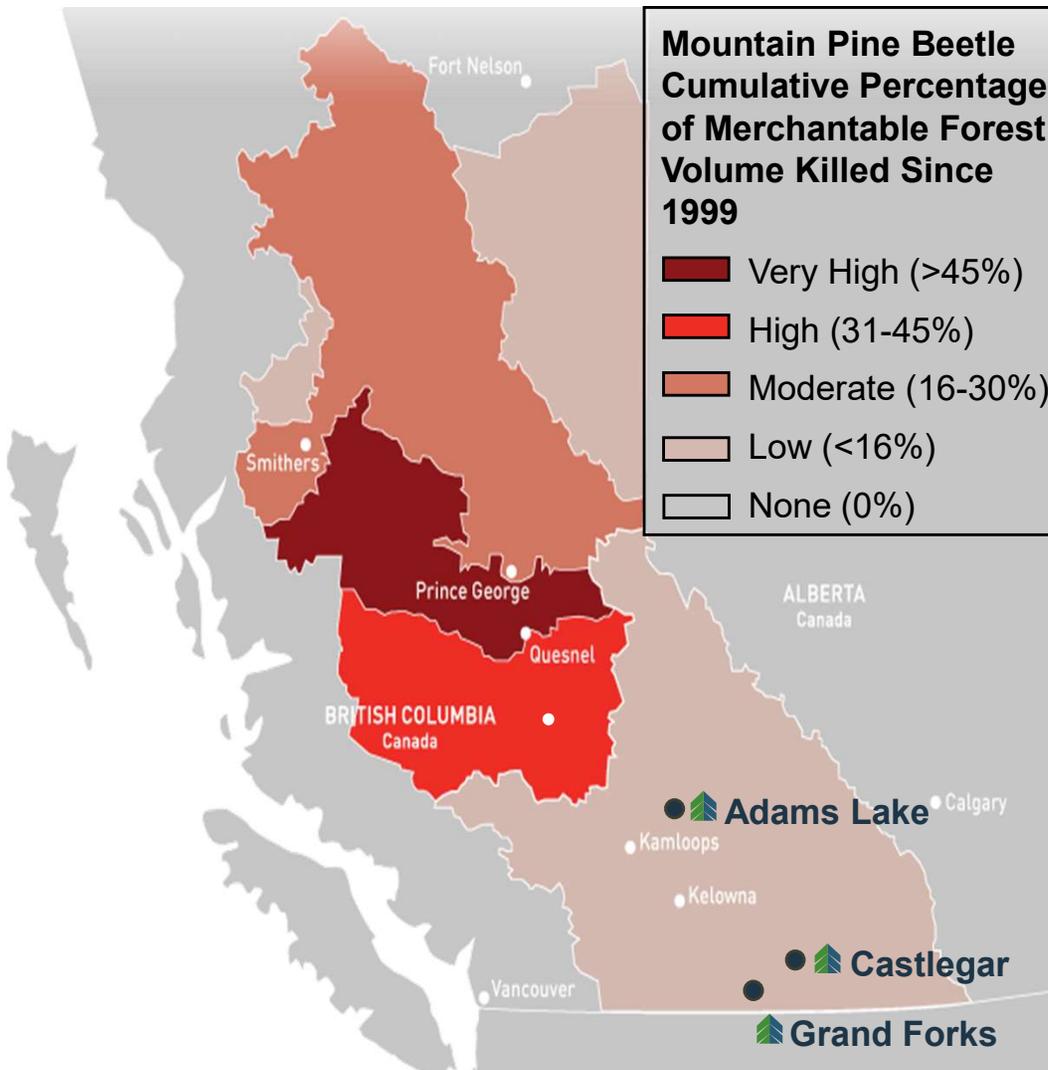
Growth in European imports driven by strong North American markets, combined with temporarily low log costs in Europe due to a spruce bark beetle outbreak. Import volumes expected to ease going forward.

### OFFSHORE EXPORTS

Lower exports has been driven by reduced demand from Asia, but has since stabilized.

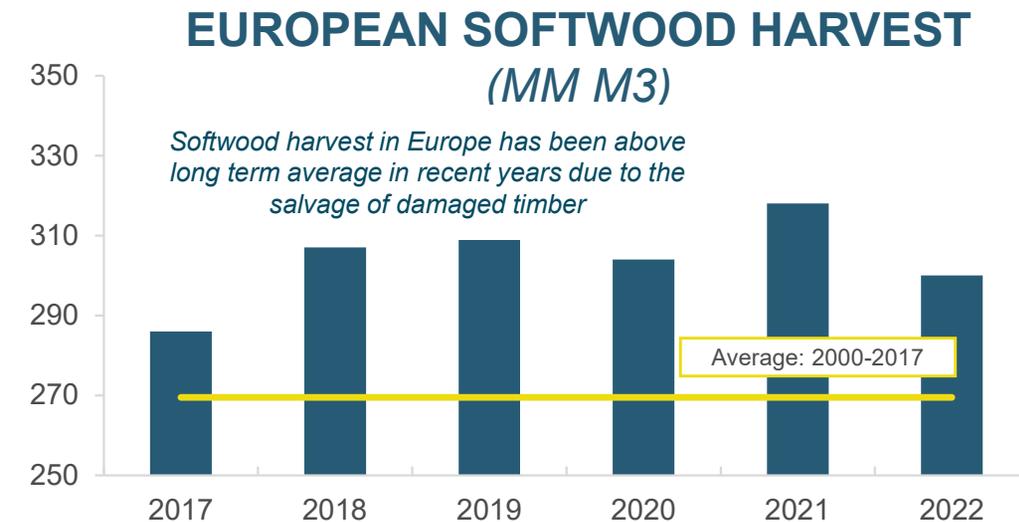
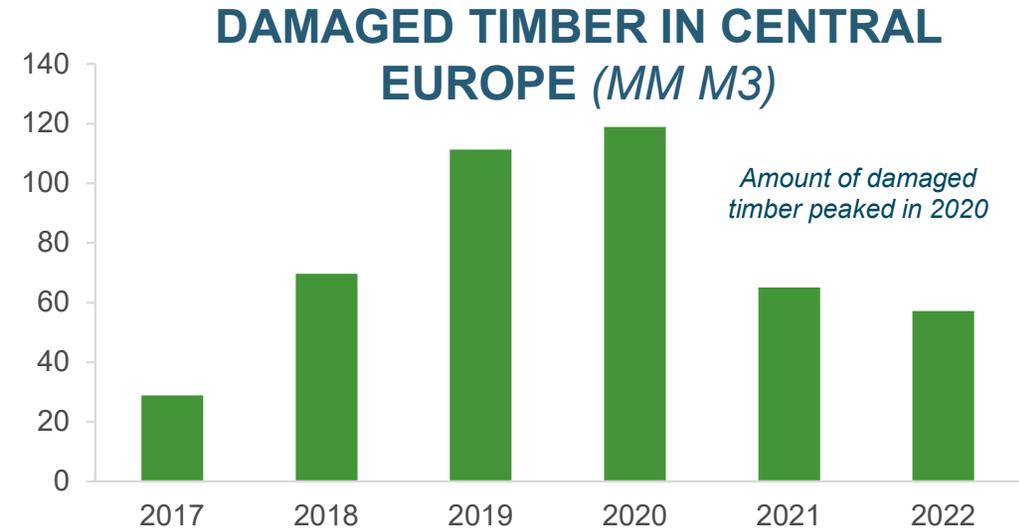
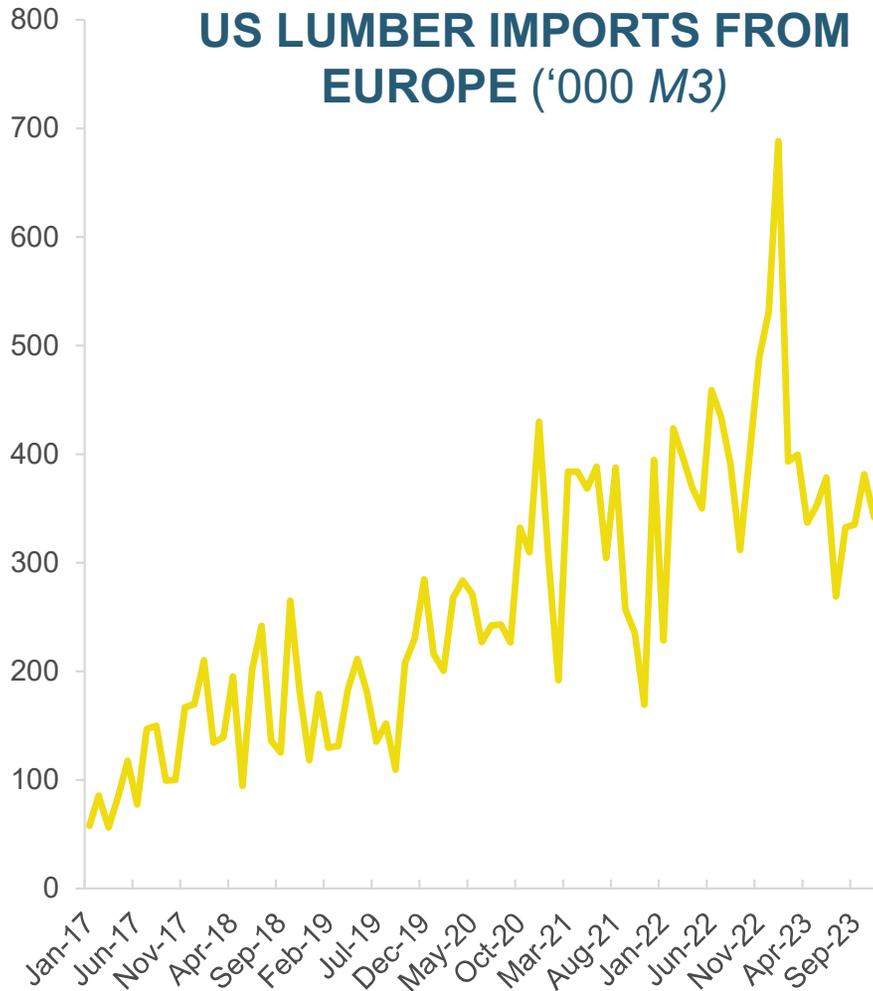
# LUMBER SUPPLY: BC INTERIOR

*Declining BC industry log supply, but Interfor well-positioned in southern BC*



# LUMBER SUPPLY: EUROPEAN IMPORTS

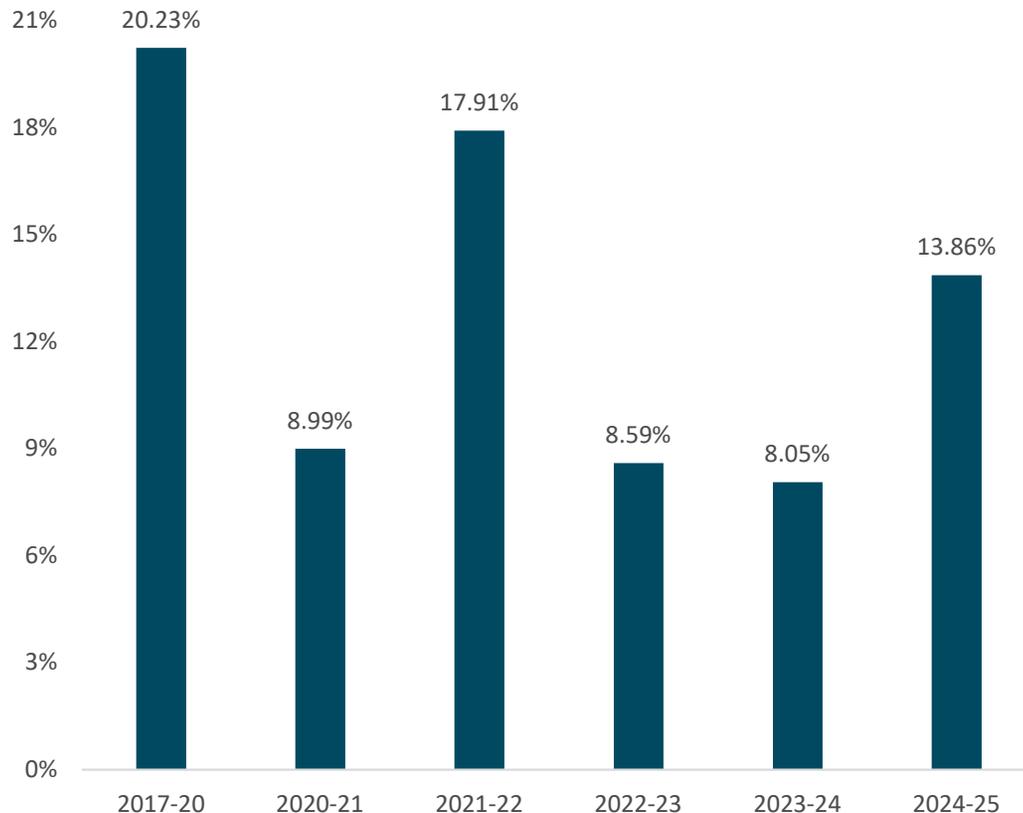
*European imports surged in late 2022/early 2023, but have since declined notably*



# SOFTWOOD LUMBER DISPUTE

*Limited exposure to duties with 60% of lumber capacity based in the US*

## U.S. COUNTERVAILING & ANTI-DUMPING CASH DEPOSIT RATES APPLICABLE TO INTERFOR <sup>(1)</sup>



## INTERFOR SOFTWOOD LUMBER DUTIES HIGHLIGHTS

**US\$550 MM**

**Duties on Deposit**

*Duties paid by Interfor and held in trust by the US Gov.; ~70% are off-balance sheet*

**~C\$10/Share**

**Potential Value**

*After-tax basis assuming 100% refund of all duties on deposit*

**~25% of Shipments**

**Exposed to Duties**

*Shipments into the US from Canada as a % of Interfor's total company-wide shipments*



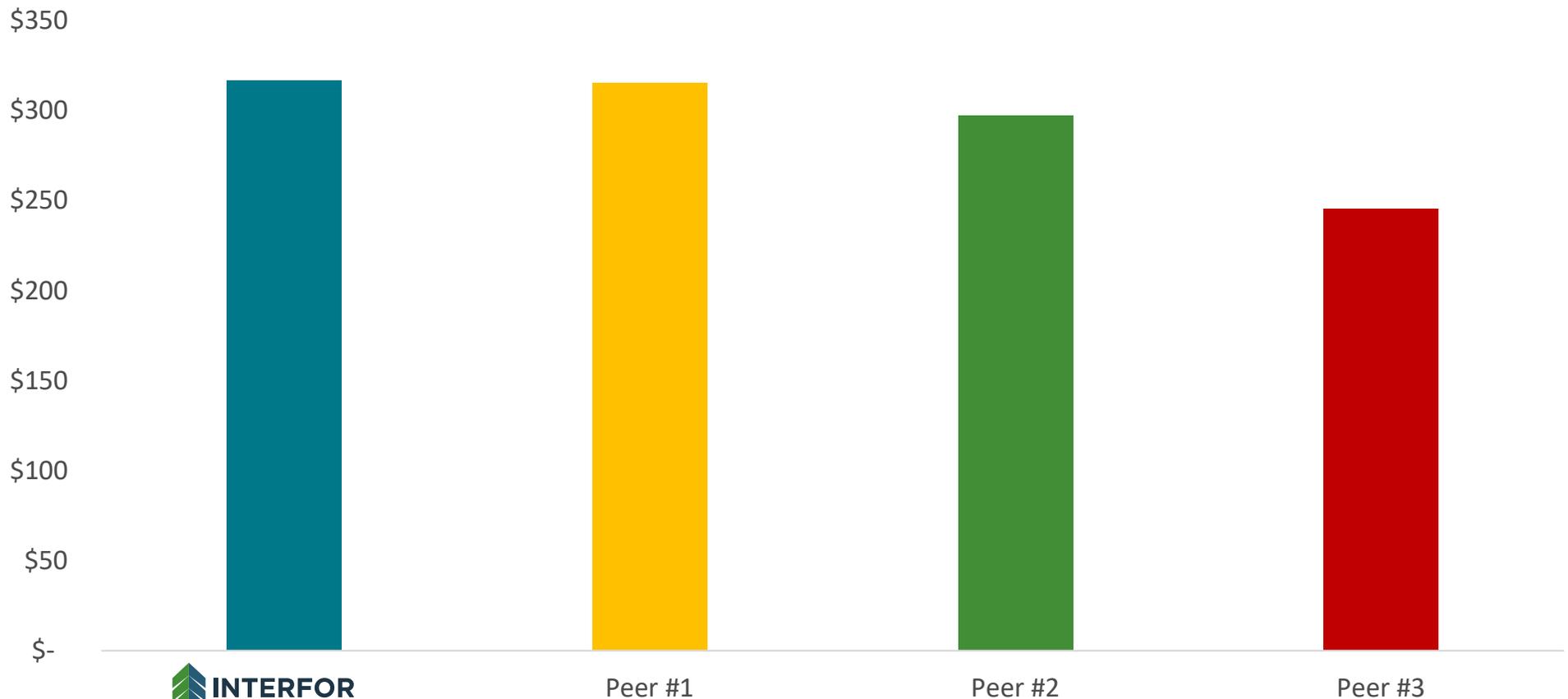
# TOP-TIER MARGINS & RETURNS ON CAPITAL

---

# INDUSTRY LEADING OPERATING MARGINS

*Focus on operational excellence reflected in superior margin performance*

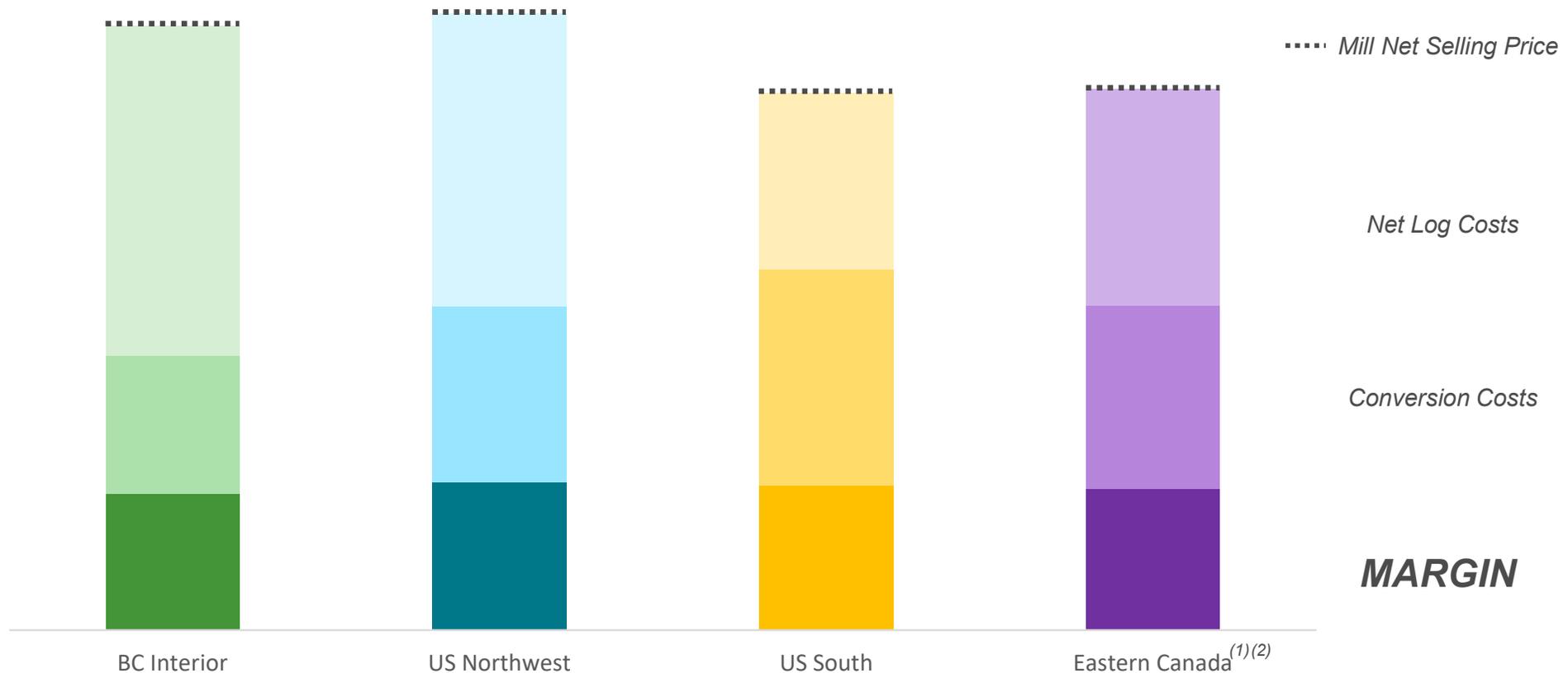
## LUMBER SEGMENT ADJ. EBITDA MARGINS – 2020 TO 2022 (C\$/MBF) <sup>(1)</sup>



# INTERFOR REGIONAL OPERATING MARGINS

*Consistent margins across regions over time, but achieved via different routes*

INTERFOR CASH MARGIN (AVG. OF 2016-2023) (C\$/MBF)

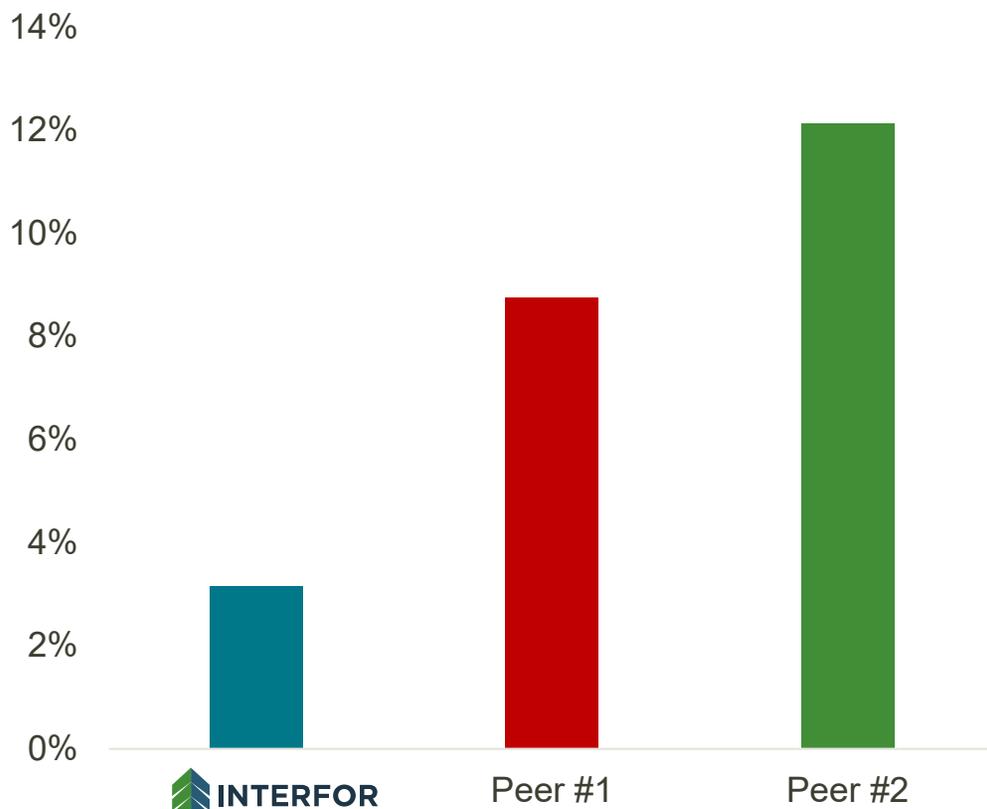


# FOCUS ON RETURN ON CAPITAL

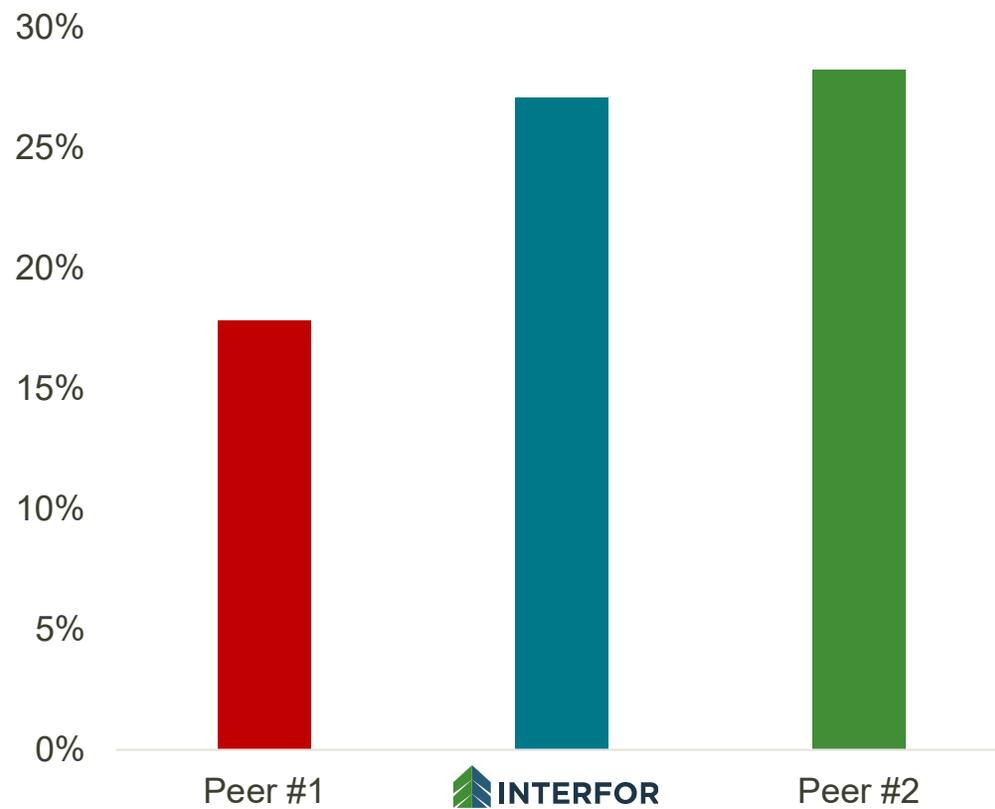
*Disciplined and balanced capital deployment is having an impact; improvement in relative performance vs. peers in recent years*

## EBIT RETURN ON CAPITAL EMPLOYED (%) <sup>(1)</sup>

(2010-2019 AVERAGE)



(2020-2023 AVERAGE) <sup>(2)</sup>



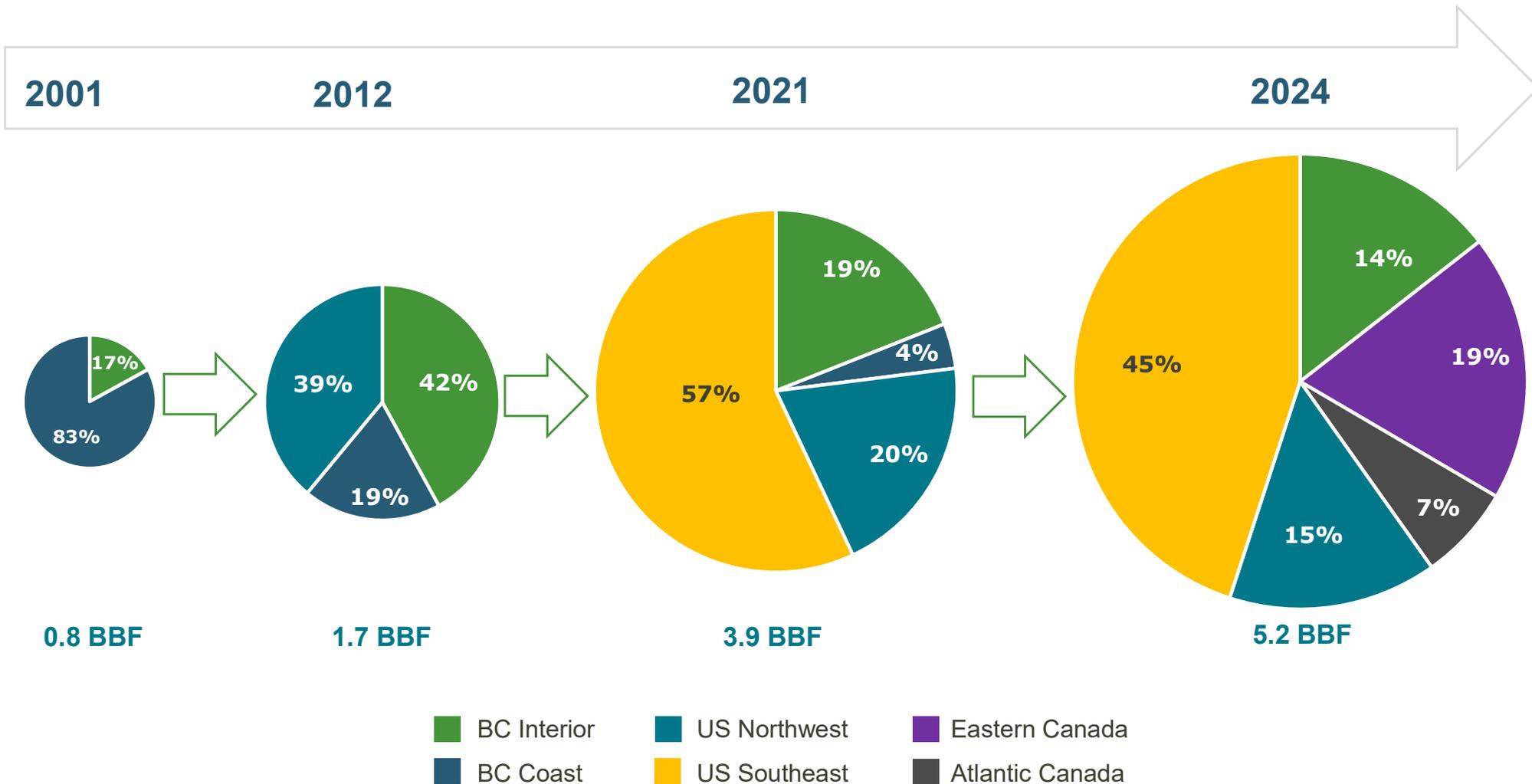


# GROWTH-FOCUSED STRATEGY

---

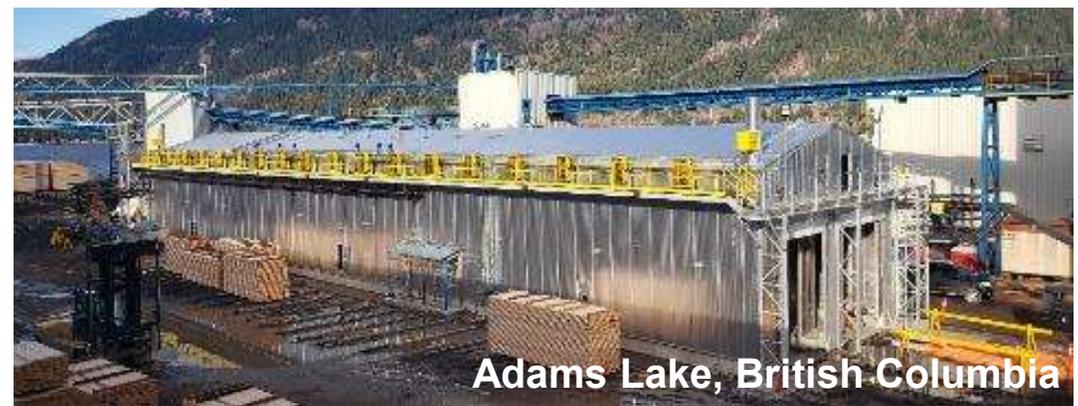
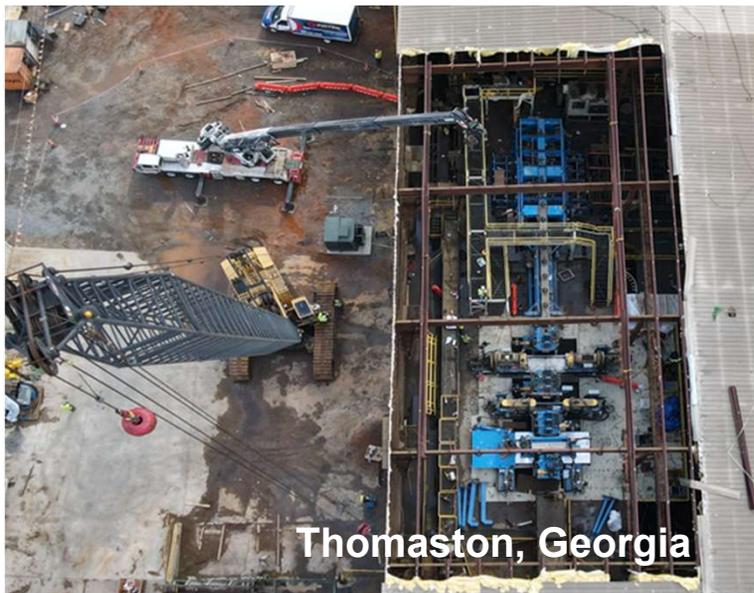
# GROWTH & DIVERSIFICATION STRATEGY

*Long-standing strategy of growth and geographic lumber diversification (1)*



# INTERNAL GROWTH: MULTI-YEAR CAPEX PLAN

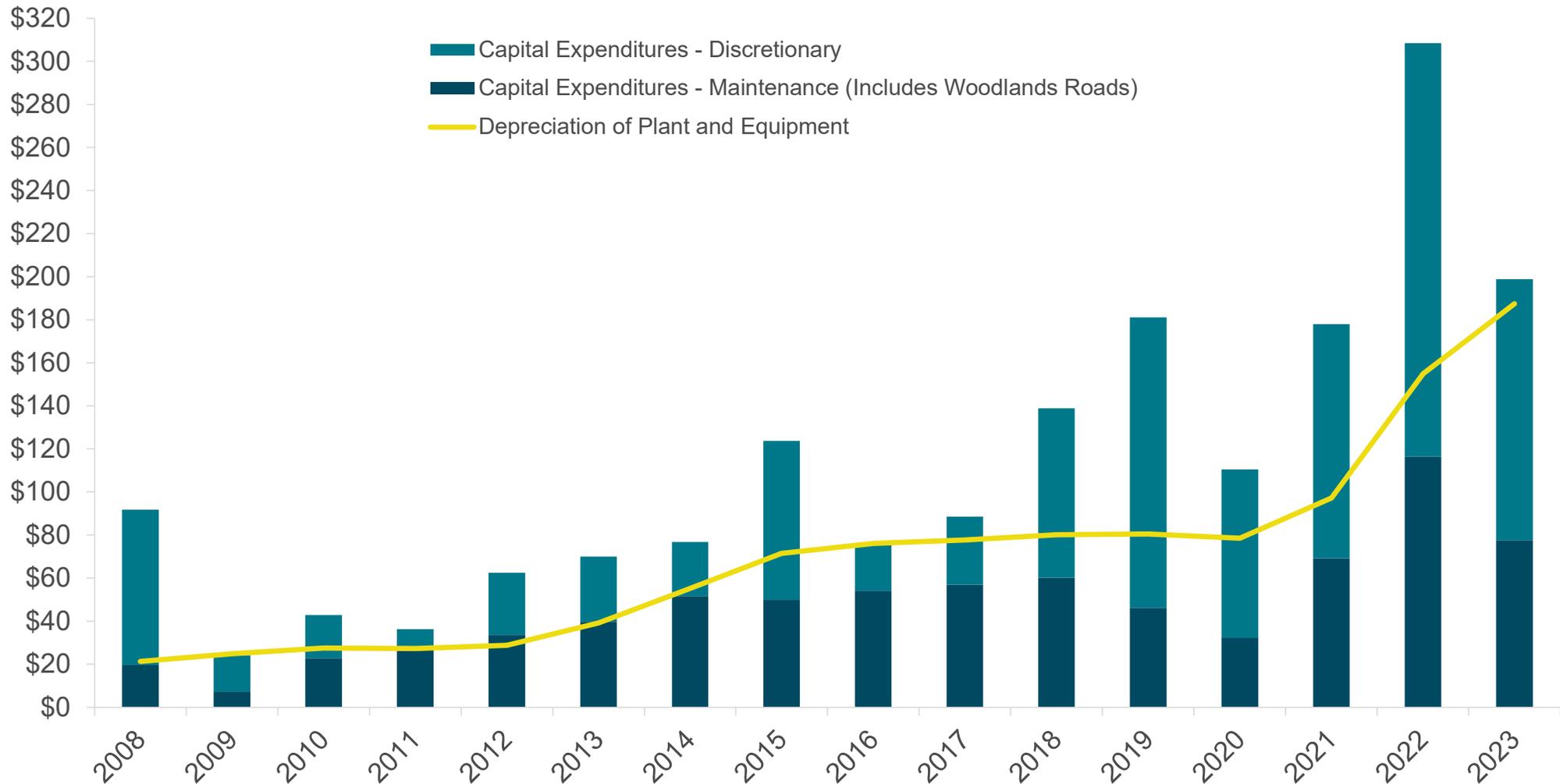
*Mill rebuilds, machine center upgrades, debottlenecking & optimization projects*



# INTERNAL GROWTH: CAPEX SPENDING PROFILE

*Strategic investments resulting in a well-capitalized, high-margin sawmill portfolio*

## HISTORICAL CAPITAL EXPENDITURES (\$MM)





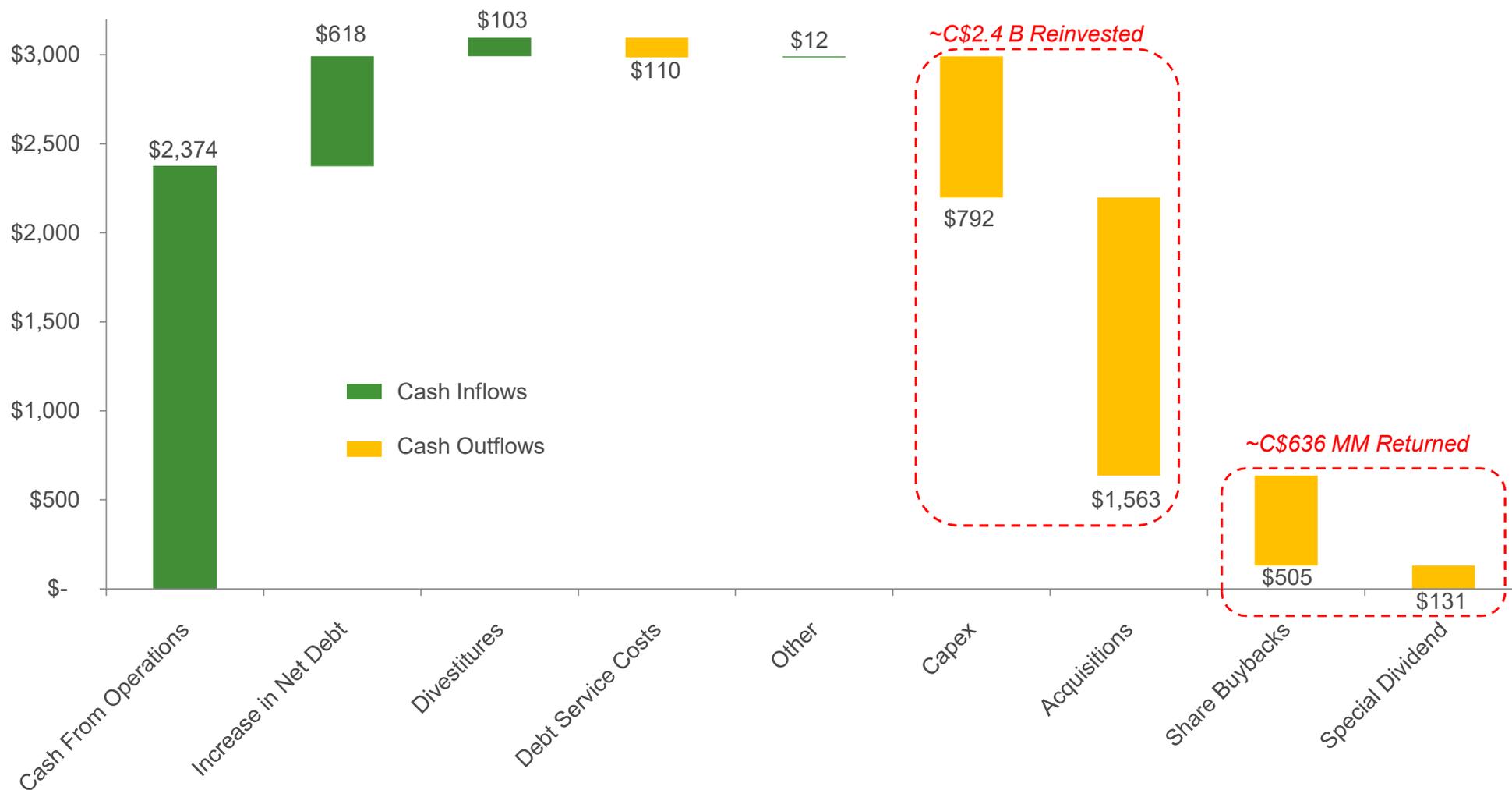
# BALANCED CAPITAL ALLOCATION & OPTIMIZED CAPITAL STRUCTURE

---

# BALANCED CAPITAL ALLOCATION

*Capital deployed in a disciplined and balanced manner to maximize returns*

**CAPITAL DEPLOYMENT SUMMARY – 2020 TO 2023 (\$MM) <sup>(1)</sup>**



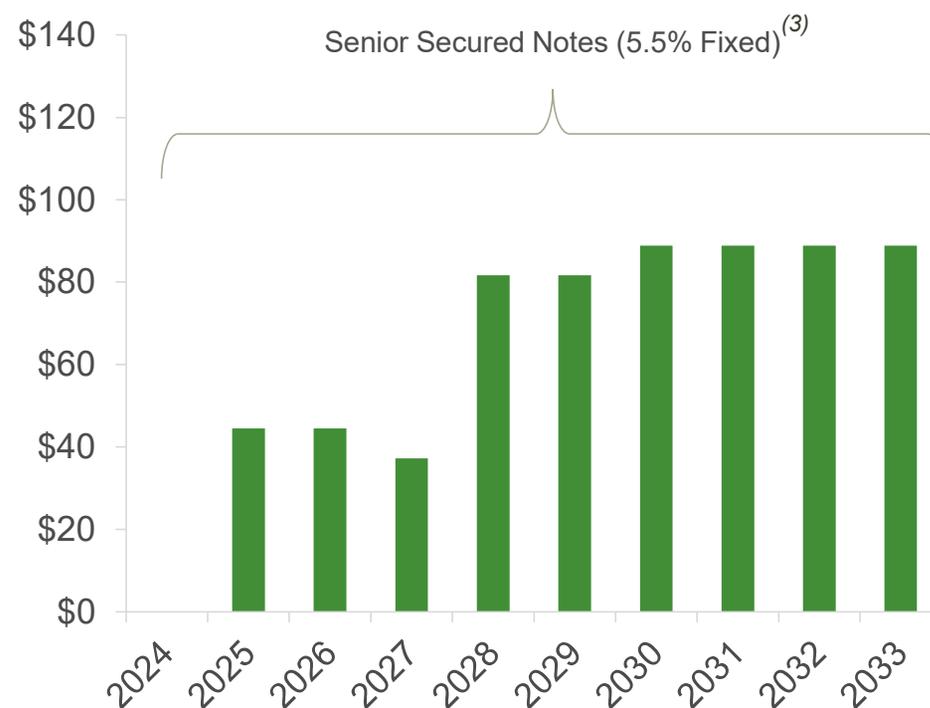
# OPTIMIZED & LOW-COST CAPITAL STRUCTURE

**Efficient, flexible and low-cost capital structure. Combination of long-term, laddered maturity, fixed-rate debt and flexible variable-rate revolving facility**

## CAPITAL STRUCTURE AS OF DECEMBER 31, 2023 (\$MM)

Cash	\$55
Debt – Senior Secured Notes	\$640
Debt – Revolving Term Line <sup>(1)</sup>	\$258
Net Debt	\$843
Book Equity	\$1,730
Invested Capital	\$2,573
<b>NET DEBT/INVESTED CAPITAL (%)</b>	<b>32.8%</b>
Available Liquidity <sup>(2)</sup>	\$340
Lumber Duties on Deposit	US\$550

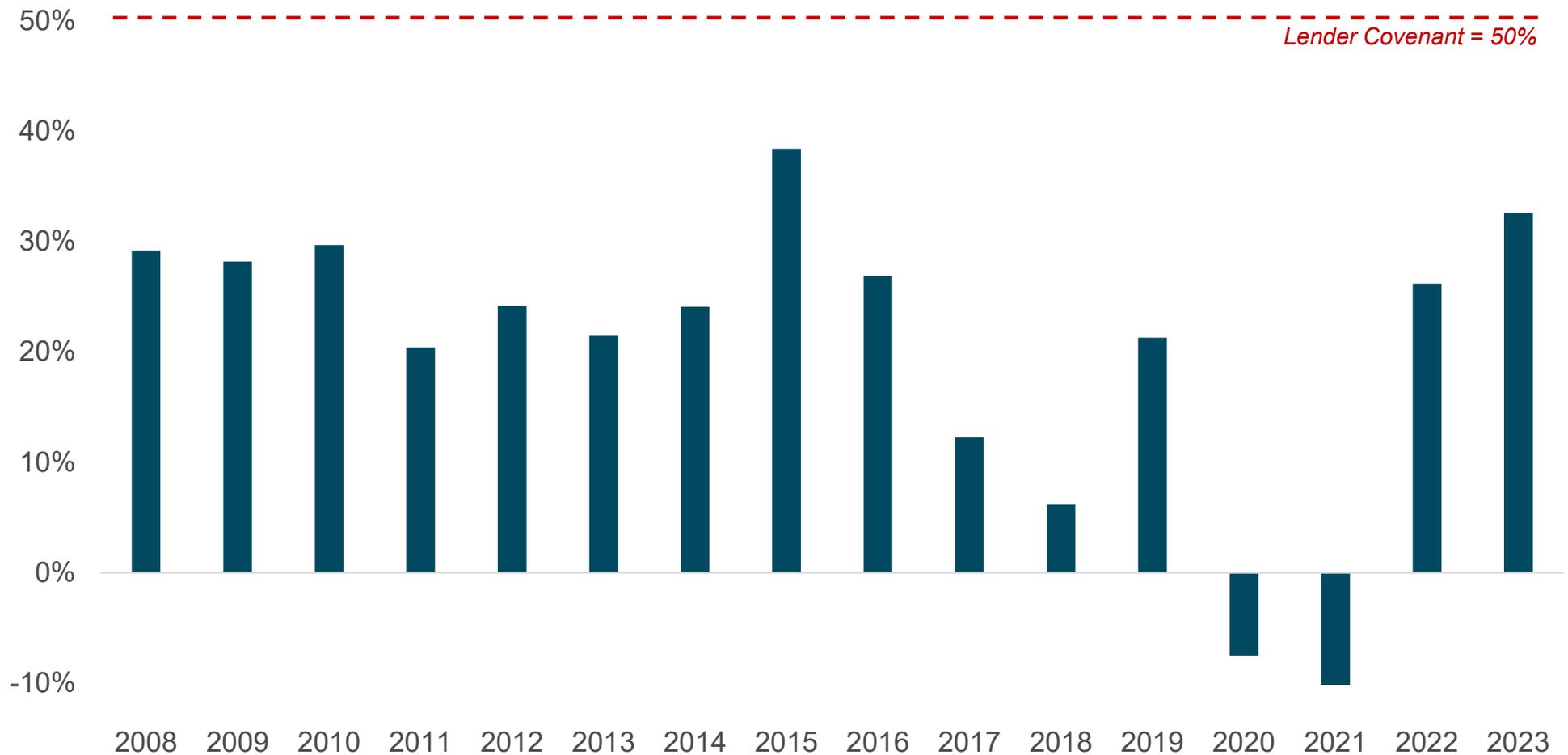
## SENIOR SECURED NOTES MATURITY SCHEDULE AS OF DECEMBER 31, 2023 <sup>(3)</sup> (\$MM)



# CONSERVATIVE LEVERAGE MAINTAINED

**Conservative leverage maintained to provide flexibility through all markets. Near-term leverage expected to benefit from income tax refunds and net proceeds from disposition of Coastal BC forest tenures**

**HISTORICAL NET DEBT – TO – INVESTED CAPITAL RATIO (%) <sup>(1)</sup>**





# POSITIVE ESG & CARBON STORY

---

# BUILDING VALUE SUSTAINABLY

## Respecting Nature. Building Sustainably.

*A Sustainability Strategy to Match our Growth Ambition.*

Long-standing strategy of purposeful growth and geographic lumber diversification.

Commitment to growing in a way that makes the world a better place.

Dedicated ESG leader and renewed sustainability strategy rolled out in 2022.

### OUR VISION & PURPOSE

Embracing a culture of sustainability excellence and world-leading sustainability practices to advance renewable wood products as part of the climate solution

### OUR GOALS



**Climate**

Our goal is to have a positive influence on the climate and environment



**People**

Our goal is to develop a workforce that reflects the diversity and strengths of our communities



**Safety**

Our goal is that everyone returns home safely

# CLIMATE – ACTIONS & OPPORTUNITIES

Interfor recognizes the global significance of climate change and our role in tackling this important issue by reducing our own environmental impacts and advancing sustainable wood products as part of the climate solution.

## KEY CLIMATE ACTIONS

**GHG Reductions:** Target to reduce our Scope 1 & 2 emissions 40% by 2030.

**Sustainable Forestry:** 100% of the forests managed by Interfor are certified.

**Renewable Energy:** >80% of our energy supply is from renewable sources.

**Waste and Water Targets:** Setting reduction targets.

**Climate Risk Analysis & Climate Resilience Strategies:** Disclosed annually.

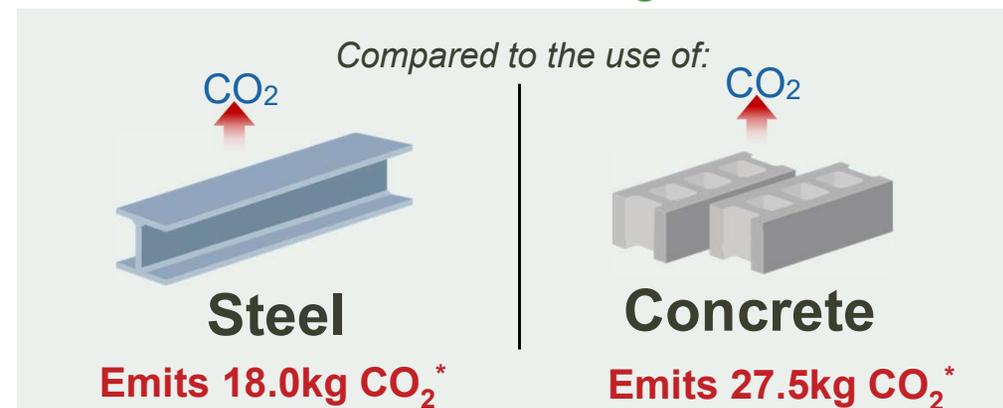
**Infrastructure & Technology:** Investing in increased efficiency and environmental performance.

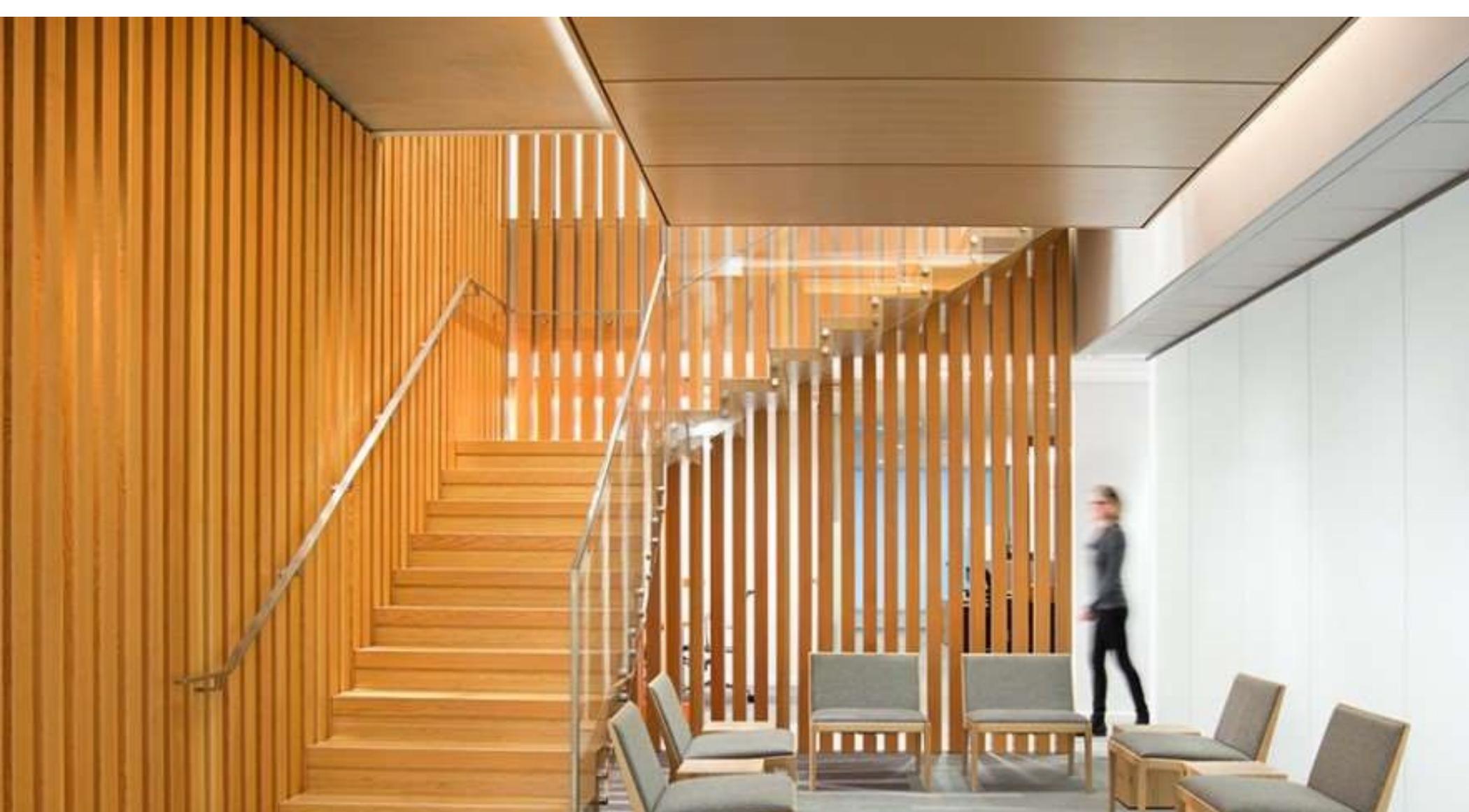
## OPPORTUNITIES

Building with **wood** is part of the **natural climate solution**.

**Sustainable forest management**, including the production of timber, fiber and energy, has been recognized by the United Nation's International Panel on Climate Change as the **largest sustained climate-mitigation benefit** over the long term

**1m<sup>2</sup> of a building constructed using wood wall studs Stores net 16.7kg CO<sub>2</sub>\***





# CONTACT INFORMATION & RESOURCES



# ANALYST COVERAGE

<b>BMO CAPITAL MARKETS</b>	<b>Ketan Mamtora</b>	(212) 883-5102	ketan.mamtora@research.bmo.com
<b>CIBC CAPITAL MARKETS</b>	<b>Hamir Patel</b>	(604) 331-3047	hamir.patel@cibc.com
<b>EQUITY RESEARCH ASSOCIATES</b>	<b>Kevin Mason</b>	(604) 886-5741	kmason@equityresearchassociates.com
<b>RAYMOND JAMES</b>	<b>Daryl Swetlishoff</b>	(604) 659-8246	daryl.swetlishoff@raymondjames.ca
<b>RBC CAPITAL MARKETS</b>	<b>Matthew McKellar</b>	(403) 476-9042	matthew.mckellar@rbccm.com
<b>SCOTIA CAPITAL</b>	<b>Ben Isaacson</b>	(437) 996-8535	ben.isaacson@scotiabank.com
<b>TD SECURITIES</b>	<b>Sean Steuart</b>	(416) 308-3399	sean.steuart@tdsecurities.com

# CONTACTS & RESOURCES

## **RICK POZZEBON**

**EVP & Chief Financial Officer**

604-689-6804

[richard.pozzebon@interfor.com](mailto:richard.pozzebon@interfor.com)

## **MIKE MACKAY**

**VP, Corporate Development & Treasury**

604-689-6846

[mike.mackay@interfor.com](mailto:mike.mackay@interfor.com)

## **BRYAN FAST**

**Director, Corporate Development & Investor Relations**

604-451-2823

[bryan.fast@interfor.com](mailto:bryan.fast@interfor.com)

## **ADDITIONAL RESOURCES**

